

**THE GAP, INC.**  
**CORPORATE GOVERNANCE GUIDELINES**  
**(As of November 11, 2015)**

The board has developed corporate governance practices to help fulfill its responsibility to the shareholders. These practices are memorialized in the guidelines below so that the board will have the necessary authority and practices in place to review and evaluate the company's business operations as appropriate and to make decisions that are independent of the company's management.

These guidelines are subject to future refinement or changes as the board may find necessary or advisable.

**1. Role of the Board**

The board is responsible for oversight of the business, affairs and integrity of the company, determination of the company's mission, long-term strategy and objectives, and oversight of the company's risks while evaluating and directing implementation of company controls and procedures.

The board may delegate some of its responsibilities to the committees of the board of directors.

**2. Composition and Qualifications of the Board of Directors**

(a) Size of the Board. As provided by the company's Bylaws and by resolution of the board of directors, the current number of board members can vary according to the board's needs. The number of directors is currently set at 11.

(b) Mix of Management Directors and Independent Directors. The board believes that as a matter of policy there should be at least a majority of independent directors as defined under SEC and NYSE rules ("Independent" directors) on the board. In addition, the board believes that it is most desirable for Independent directors to constitute two-thirds or more of the board, and is committed to maintaining such levels barring unforeseen circumstances, including mid-year resignations. For a nominee to be considered an Independent director, the board must also affirmatively determine that the director has no material relationship with Gap Inc. Directors who are officers or employees of the company are considered management directors ("Management" directors). The board may also consist of directors who are not officers or employees of the company but who are also not considered independent (these directors with the Independent directors are considered "Non-Management" directors).

(c) Qualifications and Diversity of Board Members. All board members shall possess certain core competencies, some of which may include experience in retail, consumer products, international business/markets, real estate, store operations, logistics, product design, merchandising, marketing, general operations, strategy, human resources, technology, media or public relations, finance or accounting, or experience as a CEO or CFO. In addition to having one or more of these core competencies, board member nominees are identified and considered on the basis of knowledge, experience, integrity, leadership, reputation, and ability to understand the company's business. The board believes that diversity, including differences in backgrounds, qualifications, experiences, and personal characteristics, including gender and ethnicity/race, is important to the effectiveness of the board's oversight of the company. Nominees are pre-screened to ensure each candidate has qualifications which complement the overall core competencies of the board. The screening process includes conducting a background evaluation and an independence determination.

(d) Selection of New Board Members. The Governance and Sustainability Committee has the responsibility to identify, screen, and recommend qualified candidates to the board. Qualified candidates are interviewed by the Chairman, CEO as well as at least two Independent directors. Certain other directors and members of management will interview each candidate as requested by the Chairman, CEO or chair of the Governance and Sustainability Committee. In addition, the committee will consider candidates recommended by shareholders in the manner set forth in the Bylaws.

(e) Director Election Vote Response. At any meeting of the shareholders at which a director does not receive a majority of the votes cast in accordance with the Bylaws, that director shall submit to the Board an offer letter of resignation, subject to board acceptance. The Governance and Sustainability Committee will consider the offer of resignation and will recommend to the board the action to be taken. The board shall act promptly with

respect to each such letter of resignation and shall promptly notify the director concerned of its decision. The board's decision would be disclosed publicly within 90 days from the date of certification of the election results.

### **3. Education and Evaluation of the Board of Directors**

(a) Onboarding. The company has a formal onboarding program whereby each new director is provided with core materials and asked to complete a series of introductory meetings to become knowledgeable about the company's business and familiar with the senior management team. In addition, new directors make store and facility visits to the extent practical. A new director is expected to complete his or her onboarding program within six months after joining the board.

(b) Continuing Education. The company has a continuing education program to ensure existing directors stay current with the company's business and objectives as well as relevant industry information and other external factors such as corporate governance requirements and best practices. As part of the program, directors are encouraged to periodically attend appropriate continuing education seminars or programs which would be beneficial to the company and the directors' service on the board.

(c) Annual Performance Evaluation. The Governance and Sustainability Committee oversees a formal evaluation process to assess the composition and performance of the board, each committee, and each individual director on an annual basis. The assessment is conducted to ensure the board, committees, and individual members are effective and productive and to identify opportunities for improvement and skill set needs. As part of the process, each member completes a questionnaire. While results are aggregated and summarized for discussion purposes, individual responses are not attributed to any member and are kept confidential to ensure honest and candid feedback is received. The Governance and Sustainability Committee reports annually to the full board with its assessment. Directors will not be nominated for reelection unless it is affirmatively determined that the director is substantially contributing to the overall effectiveness of the board.

### **4. Board of Directors Guidelines**

(a) Retirement Age. A director who turns 72 prior to the end of a fiscal year will not stand for re-election at the next Annual Meeting following the end of the fiscal year.

(b) Change of Status. In the event a Non-Management director changes his or her employer, significantly changes his or her position with an employer or significantly changes his or her responsibilities as a director, consultant or otherwise, the director shall submit to the Corporate Secretary of the company an offer letter of resignation, subject to board acceptance. The Governance and Sustainability Committee will consider the Non-Management director's offer of resignation and will recommend to the board the action to be taken. The board shall act promptly with respect to each such letter of resignation and shall promptly notify the director concerned of its decision. Management directors are also expected to tender their resignation from the board to the Corporate Secretary of the company at the same time they cease to be an executive officer of the company.

(c) Term Limits. There will be no specific term limits for directors, given the normal process of annual elections of board members by the shareholders, annual evaluations, and the stated retirement age. Directors who have served on the board for an extended period of time are in a unique position to provide valuable insight into the operations and future of the company based on their experience with and perspective on the company's history, performance, and objectives. The board believes that, as an alternative to term limits, it can take proactive steps to effectively ensure that the board continues to evolve and adopt new viewpoints through the evaluation and selection process described in these guidelines.

(d) Stock Ownership. Each Non-Management director will, within three years of joining the board hold stock of the company worth at least five (5) times the annual base retainer then in effect. Deferred stock units granted under the 2011 Long-Term Incentive Plan, including any units acquired through reinvestment of dividend equivalents, will be counted toward meeting this stock ownership requirement. Management directors are required to own stock of the company in accordance with the company's stock ownership requirements for executives.

(e) Improper Financial Interests. Generally, directors should limit equity or debt investments in vendors, landlords, competitors or potential competitors of the company. A current or potential investment in excess of either 5% of a company's equity or debt or 5% of a director's net worth (including a right to acquire that

percentage) should be brought to the attention of the company's Chief Compliance Officer to determine if the investment or potential investment could be considered an improper financial interest under the company's Code of Business Conduct. Depending on the circumstances, the Chief Compliance Officer might conclude that an investment above these parameters is proper.

(f) Other Company Directorships and Consulting. The company believes that directors who are full-time employees of other companies should not serve on more than three public company boards at one time, and that directors who are retired from full-time employment should not serve on more than four public company boards. Additionally, a director who is a member of the Audit and Finance Committee cannot sit on more than three public company audit committees. Further, when a director has been invited to join another for-profit company board, he or she must inform the Chairman and the Chair of the Governance and Sustainability Committee prior to accepting and consider the nature of and time commitment of such an appointment prior to accepting. A director may not serve on a board of a company competitor or a company with a significant competitive line of products offered by Gap Inc. Additionally, a director should not act as a consultant or provide other services to a vendor, landlord, competitor, potential competitor or a company with a potential competitive line of products without bringing it to the attention of the company's Chief Compliance Officer to determine if the engagement creates a conflict of interest. The Governance and Sustainability Committee considers these matters when evaluating and nominating directors for reelection. The Chairman and CEO must obtain approval from the board to serve as a director on any other for-profit board.

(g) Independent Advisors. The board and each committee have the power, in their sole discretion, to retain or obtain the advice of independent legal, financial, compensation, or other advisors at any time, as they deem necessary and appropriate to fulfill their board and committee responsibilities. The company will provide funding for such advice and for ordinary administrative expenses as determined by the board or committees.

(h) Board Access to Senior Management. Board members have complete access to the company's management and employees. Any meetings or contacts that a director wishes to initiate may be arranged directly or through the office of the CEO or Corporate Secretary. It is assumed that board members will use judgment to ensure that contacts with management outside of board meetings are not unduly disruptive to the business operations of the company. Board members and/or senior management should also feel free to request the attendance at board meetings of management or employees who can provide additional insight into items being discussed.

(i) Shareholder Access to Board. Shareholders may communicate governance matters directly to the board by sending email to board@gap.com. Communications will be received by the Chairman, as well as the company's Corporate Secretary's Office. As deemed appropriate, matters may be referred to the entire board, board committees, individual members, or other departments within the company.

## **5. Compensation of the Board of Directors**

(a) Board Compensation Review. The Compensation and Management Development Committee periodically reviews and makes recommendations to the board concerning the level and form of compensation of the Non-Management directors. The committee's recommendation, which is discussed and evaluated by the full board, is based on both an assessment of the best practices of other companies and the particular circumstances of this board. Changes in board compensation, if any, must be approved by the full board.

(b) Director Compensation. The Non-Management directors' annual base retainer is currently \$75,000 per annum, plus an attendance fee of \$2,000 for each regularly scheduled committee meeting attended. Non-management directors who primarily reside outside of North America receive a fee of \$2,000 for attendance at each board and/or committee meeting requiring travel to the United States. The Governance and Sustainability Committee Chair receives an additional retainer of \$15,000 per annum. The Audit and Finance Committee Chair and the Compensation and Management Development Committee Chair each receive an additional retainer of \$20,000 per annum. The Chairman receives an additional retainer of \$200,000 per annum. In addition, Non-Management directors are eligible to receive stock unit awards according to a pre-determined formula as follows: (i) upon appointment each new Non-Management director is awarded units equal to \$140,000 at the then-current fair market value; and (ii) annually, each continuing Non-Management director is awarded units equal to \$140,000 at the then-current fair market value (recently appointed Non-Management directors first annual stock unit grant shall be prorated based on the number of days that the director has served between the appointment date and the first annual stock unit grant). Normally, the stock units are

immediately vested as of the award date with payment in shares deferred for three years unless further deferred at the election of the Non-Management director.

(c) Travel. All Non-Management directors' reasonable travel arrangements related to attending board, committee or company business meetings are made by the company. Alternatively, the company can reimburse the Non-Management director for reasonable travel expenses.

(d) Discount. All directors are eligible to receive discounts on company merchandise consistent with the terms of the Employee Merchandise Discount Policy.

## **6. Board Committees**

(a) Existing Committees. The current board committees are: (1) Audit and Finance, composed solely of Independent directors; (2) Compensation and Management Development, composed solely of Independent directors who also meet the requirements of Section 16 of the Securities Exchange Act of 1934 and Section 162(m) of the Internal Revenue Code; and (3) Governance and Sustainability, composed solely of Independent directors. As set forth under the company's Bylaws, the board has the discretion to form new committees or dissolve existing committees depending upon the circumstances.

(b) Audit and Finance. The Audit and Finance Committee assists the board in fulfilling its oversight responsibilities relating to the integrity of the financial statements, compliance with legal and regulatory requirements, the independent accountant's qualifications and independence, the performance of the internal audit function and the performance of the independent accountant, and to handle such other matters as formalized in the Audit and Finance Committee Charter.

(c) Compensation and Management Development. The functions of the Compensation and Management Development Committee are to evaluate and determine compensation policies, including level and form, for all corporate and divisional officers and certain employees, to recommend compensation for Non-Management directors, to advise senior management on policy and strategy regarding succession planning and the development and retention of senior executives and management teams, and to handle such other matters as formalized in the Compensation and Management Development Committee Charter.

(d) Governance and Sustainability. The Governance and Sustainability Committee makes recommendations to the board on all matters concerning corporate governance, directorship practices and sustainability as formalized in the Governance and Sustainability Committee Charter, including development of corporate governance guidelines, evaluation of the board, committees and individual directors, identification and selection of new board nominees, and support the company's sustainable growth.

## **7. Meetings and Materials**

(a) Board Meeting Schedules and Agendas. There are six regularly scheduled board meetings during each fiscal year. The Chairman and Corporate Secretary establish the agenda for each board meeting. Management, in consultation with the appropriate committee chair, determines the frequency, length of, and agendas for the meetings of the committees. Each board member is encouraged to suggest agenda items for board and committee meetings in advance.

(b) Distribution of Materials. Financial and business information is frequently distributed to the board. During those months when there is a scheduled board or committee meeting, materials are distributed in advance of the meeting to provide background on each planned presentation. The presentation materials allow for proper preparation and consideration of the subject matter before the board or committee meeting. Board members are expected to have read the material in advance of the meeting.

(c) Attendance of Directors and Non-Directors at Board and Committee Meetings. Board members are expected to attend all meetings of the board and committees on which they sit, in their entirety. In the event a board member is not able to attend a meeting in person he or she may attend the meeting by videoconference or teleconference, but this should be a rare exception. As the board and/or each committee deems appropriate, other individuals may be invited to attend portions of each board or committee meeting.

(d) Meetings of Non-Management Directors. The Non-Management directors typically are scheduled to meet without the presence of management during each regularly scheduled board meeting.

(e) Meetings of Independent Directors. The Independent directors are periodically scheduled to meet without the presence of the Non-Management directors and at least annually.

(f) Annual Meetings of Shareholders. The Chairman, CEO and committee chairs should attend and be available to answer questions at the annual shareholders' meeting. All other directors are also encouraged to attend the annual shareholders' meeting.

## **8. Leadership**

(a) Chairman Selection. The board selects the Chairman in the manner that it determines to be in the best interests of the company. In the event the director who serves as Chairman is not an Independent director, the board will designate an Independent director to serve as Lead Independent Director.

(b) Duties of the Chairman. The Chairman presides at all meetings of the board, including each Non-Management and Independent session of the board, and at all meetings of the stockholders. The Chairman has the authority to call meetings of the Non-Management and Independent directors. The Chairman approves meeting schedules and agendas.

(c) Job Duties of CEO and other Officers. The company has approved formal position descriptions for the CEO, and brand/function heads. The performance of the CEO and brand/function heads is reviewed annually with respect to their stated duties and with respect to pre-determined company and divisional objectives.

(d) Succession Planning. The board is responsible for the succession planning of the CEO (including a separate emergency succession plan), and periodically reviews the succession plan and identifies potential successors for the company's CEO. The Compensation and Management Development Committee also periodically reports to the board on succession planning matters. In addition, the CEO reports periodically to the board on succession plans for certain key officers and makes recommendations to the board regarding his/her succession.

## **9. Integrity and Conduct**

Each board member is expected to act with integrity and to adhere to the policies applicable to directors in the Company's ethics code, the Code of Business Conduct. Any waiver of the requirements of the Code of Business Conduct for any individual director would require approval by the Audit and Finance Committee. Any such waiver would be publicly disclosed.